



Appropriations Update

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FISCAL YEAR 2004 CONSOLIDATED APPROPRIATIONS BILL Conference Report

SUMMARY

The conference report accompanying the consolidated appropriations bill (H.R.2673; H.Rept. 108-401) provides appropriations for the seven regular appropriations bills for fiscal year 2004 that have not been enacted: Agriculture; Commerce, Justice, State; District of Columbia; Foreign Operations; Labor, Health and Human Services; Transportation-Treasury; and Veterans Affairs, Housing and Urban Development. Agencies and programs funded by those appropriations bills currently are operating under a continuing resolution, which expires on 31 January 2004. Fiscal year 2004 began on 1 October 2003.

This conference report concludes the normal appropriations process. It completes the process of providing \$787.5 billion in discretionary spending for the fiscal year.

Enactment of the measure will cause discretionary spending for fiscal year 2004 to exceed the applicable limits in the

fiscal year 2004 budget resolution. Most of the overage (about one-quarter of 1 percent of total discretionary spending) is associated with assumed savings that cannot be estimated because it is unknown whether they will be achieved through emergency-designated spending. The remainder of the breach results from a transfer of emergency-designated appropriations to the regular appropriation for the Economic Support Fund.

Savings from changes to emergency-designated appropriations are not counted as offsets to nonemergency spending. Nevertheless, because the current emergency designation applies only for congressional enforcement, it is likely the Office of Management and Budget will accept these assumed savings as offsets to regular appropriations.

This is an unusual circumstance, and is further discussed under “Compliance With the Budget Resolution” below.

COST OF THE LEGISLATION

The conference report provides \$330.036 billion in net new budget authority [BA] and \$382.093 billion in net outlays for 2004, an increase of \$6.714 billion in BA and \$17.959 billion in outlays from fiscal year 2003 (see Table 1, next page). Assuming enactment, total nonemergency discretionary BA for all 13 appropriations bills grows by 2.5 percent over fiscal year 2003 – but will have increased at a 7.7-percent annual rate in the 2000-04 period.

The net BA provided by the bill includes \$9.100 billion in reductions through the use of offsets. The conference report

includes \$4.159 billion in rescissions of previously enacted budget authority, with \$274 million in related outlays. The agreement also contains changes to mandatory programs – programs not subject to annual appropriations – that generate savings of \$1.992 billion in BA and \$480 million in related outlays.

Finally, the report includes two across-the-board reductions: one of 0.59 percent that applies to all regular appropriations acts, except for Defense and Military Construction; and another of 0.465 percent that applies only to the Commerce,

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Justice, State division of the agreement. The first generates savings of \$2.761 billion in BA and \$1.407 billion in outlays, while the second generates savings of \$188 million in BA and \$133 million in outlays.

The measure provides emergency-designated appropriations, which are fully offset by the rescission of previously enacted emergency spending. It contains \$23.122 billion in routine advance appropriations for fiscal year 2005.

Table 1: Consolidated Appropriations Bill
(fiscal years; millions of dollars)

	2003 Spending^a	Administration 2004	302 (b) for 2004	Bill
Total				
Budget Authority	768,040	785,567	785,565	787,479
Outlays	804,682	861,869	861,342	861,477
Consolidated Appropriations				
Budget Authority	323,322	326,207	328,077	330,036
Outlays	364,134	379,200	381,060	382,093
Previously Enacted				
Budget Authority	444,718	459,360	457,488	457,443
Outlays	440,548	482,669	480,282	479,384

^a Does not include \$81.107 billion in BA and \$42.019 billion in outlays included in the fiscal year 2003 Iraq conflict supplemental (Public Law 108-11), the Disaster Relief Act (Public Law 108-69) and the Emergency Supplemental Appropriations Act (Public Law 108-83). Does include \$2.244 billion in additional fiscal year 2003 education BA in the Continuing Appropriations Resolution (Public Law 108-84).

COMPLIANCE WITH THE BUDGET RESOLUTION

As noted above, this measure completes the regular appropriations process for fiscal year 2004. The \$787.479 billion in fiscal year 2004 discretionary BA – the total of this conference report and the six previously enacted appropriations measures – exceeds by \$1.914 billion the 302(a) BA allocation of \$785.565 billion. This results in a violation of 302(f) of the Congressional Budget Act, which prohibits the consideration measures in excess of a Committee’s 302(a) allocation. (Final appropriations action will also exceed the 302(a) outlay allocation by \$135 million.)

The final cost of the measure relative to the budget resolution will not be determinable until the Office of Management and Budget [OMB] implements a \$1.8-billion rescission of budget authority called for in this measure. The specific rescissions are to be chosen by the President from:

- 1) appropriations provided to the Department of Defense; or
- 2) appropriations made in immediate response to the 11 September 2001 terrorist attacks (for purposes other than the \$20-billion commitment to rebuilding the city of New York). Because those rescissions have not yet been identified by the administration, it cannot be determined whether the savings will be taken from emergency-designated appropriations or not.

Emergency-designated appropriations are not counted for determining applicable spending limits. Therefore, rescissions of emergency-designated BA do not count as offsets to regular appropriations – because they were never counted as spending when the emergency-designated appropriations were made.

Even if the administration rescinds only nonemergency-designated appropriations – which can be counted as savings – the conference report would exceed the budget resolution BA allocation by \$114 million. This results because the conference agreement transfers \$130 million in emergency-designated BA from the recently enacted Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan (Public Law 108-106) to the Economic Support Fund. Again, this entails emergency-designated funding, which was never counted against the applicable spending limits. Therefore, this reduction in emergency-designated funds is not counted as savings that offset nonemergency spending.

Although the conference report exceeds the 302(a) allocation, it will not cause total BA or outlays to exceed the totals established by the budget resolution. Accordingly, the measure does not violate section 311(a) of the Budget Act,

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which provides for a point of order against consideration of legislation that breaches the budget resolution totals.

The conference exceeds the budget resolution's limit on "advance appropriations." Advance appropriations are spending authority provided for a year subsequent to the first year of the budget resolution. The budget resolution limits the programs for which advance appropriations may be provided, and also limits, to \$23.158 billion, the total amount of advance appropriations for fiscal year 2005. This

conference report, and the six previously enacted appropriations measures, provide total fiscal year 2005 advance appropriations of \$25.686 billion – \$2.528 billion more than the amount in the budget resolution.

The overage is the result of an advance appropriation for the Biodefense Countermeasures [Bioshield] initiative of \$2.528 billion. The budget resolution for fiscal year 2004 accommodated this spending but did not anticipate that the new program would be funded by advance appropriations.

Table 2: Discretionary Spending in the Consolidated Appropriations Bill

(in millions of dollars)

	2003 Budget Authority ^a	2003 Outlays ^a	2004 Budget Authority	2004 Outlays	Difference BA	Difference Outlays
Agriculture	18,096	17,677	16,839	17,633	-1,257	-44
Commerce, Justice, State	39,201	40,489	37,582	40,677	-1,619	188
District of Columbia	509	597	542	536	33	-61
Foreign Operations	16,227	16,835	17,611	20,171	1,384	3,336
Labor, HHS	134,313	126,240	138,956	135,069	4,643	8,829
Transportation, Treasury	28,259	69,273	28,116	71,873	-143	2,600
Veterans Affairs, HUD	86,717	93,023	90,774	96,404	4,057	3,381
Other	0	0	-384	-270	-384	-270
Total	323,322	364,134	330,036	382,093	6,714	17,959

^a Does not include \$81.107 billion in BA and \$42.019 billion in outlays included in the fiscal year 2003 Iraq conflict supplemental (Public Law 108-11), the Disaster Relief Act (PL 108-69) and the Emergency Supplemental Appropriations Act (PL 108-83). Does include \$2.244 billion in additional fiscal year 2003 education BA in the Continuing Appropriations Resolution (PL 108-84).

OFFSETS

Rescissions

As noted, the conference report includes a rescission of \$1.8 billion from funds provided to the Department of Defense or funds provided in the wake of the 11 September 2001 terrorist attacks not dedicated to the rebuilding of the city of New York. The conference agreement does not otherwise identify the spending to be rescinded, but rather delegates that authority to the Office of Management and Budget. The accounts selected by OMB could potentially include emergency-designated appropriations.

In determining the impact of this language, the House and Senate Budget Committees have determined that it is best to adopt the most conservative approach, and assume that all of the rescissions will come from emergency-designated

appropriations. OMB must report 30 days prior to rescinding such amounts the items that it rescinded; if it rescinds regular appropriations, the amount that this bill is over the budget resolution will decline.

In addition, the conference report rescinds \$4.159 billion in BA and \$274 million in related outlays of various programs. The largest single source is the Department of Housing and Urban Development (\$3.177 billion), largely from the housing certificate fund (\$2.844 billion in BA, with no related outlays). Other rescissions come from the Departments of Justice (\$303 million), Veterans Affairs (\$270 million), Transportation (\$34 million), Labor (\$196 million), Commerce (\$143 million), Health and Human Services (\$20 million), Education (\$10 million), and Agriculture (\$6 million).

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Across-the-Board Reductions

The conference report includes an across-the-board reduction of 0.59 percent, to be taken against accounts in all regular appropriations acts, with the exception of those for Defense and Military Construction. This reduction provides savings of \$2.761 billion in budget authority and \$1.407 billion in outlays.

In addition, the Commerce, Justice, State division of the measure includes an additional 0.465 percent across-the-board reduction, generating savings of \$188 million in BA and \$133 million in outlays.

Changes in Mandatory Programs

The agreement contains changes to mandatory programs – programs not subject to annual appropriations – that

generate savings of \$1.992 billion in BA and \$480 million in outlays to offset discretionary programs. More than half of the fiscal year 2004 BA savings is due to a limitation capping the payout for the Crime Victims' Fund. This spending limitation generates \$1.095 billion in BA savings, and \$383 million in outlay savings. Other mandatory program changes generating BA savings include Department of Agriculture (\$630 million), the Department of Transportation Federal Highway Administration (\$207 million), and the Department of Justice asset forfeiture fund (\$62 million).

Including the six previously enacted fiscal year 2004 appropriations measures, changes in mandatory programs in regular appropriations bills generate savings of \$1.989 billion in BA and \$490 million in outlays. In fiscal year 2003, similar changes in mandatory programs generated savings of \$1.522 billion in BA and \$469 million in outlays.

DISCUSSION

The conference agreement is \$6.714 billion above fiscal year 2003 spending (see Table 2 above). Major highlights include the following (by appropriations bill):

- Agriculture spending decreases \$1.257 billion compared to fiscal year 2003 due to reductions in the following: Natural Resources Conservation Service (\$224 million); other Agriculture Department activities (\$269 million); Rural Housing Service (\$200 million); Foreign Agriculture Service (\$204 million); Rural Development (\$176 million); Cooperative State Research, Education and Extension (\$117 million); the Food and Nutrition Service (\$69 million); and the 0.59 percent across the board reduction (\$104 million). These decreases are offset by increases in the Animal, Plant Health Inspection Service (\$39 million); the Food Safety and Inspection Service (\$25 million); the Agriculture Research Service (\$15 million); the Food and Drug Administration (\$11 million); the Farm Service Agency (\$8 million); and Other activities (\$8 million).
- Commerce, Justice, State spending decreases \$1.619 billion. The year-over-year BA reduction is overstated, however, because the 2004 estimate of the bill's cost includes mandatory savings that are not included in the 2003 figures. The obligation delay for the mandatory Crime Victims' Fund has been routinely used to reduce the cost of the bill relative to the budget resolution, without reducing the level of budget authority provided

to government agencies. This year, the transaction provides BA savings of \$1.095 billion. In addition, discretionary BA for Office of Justice Programs and other Department of Justice programs are reduced by \$1.48 billion and \$26 million, respectively. These Department of Justice reductions are offset by increases in the FBI (\$424 million) and Federal Prison System (\$366 million). Other programs decrease by \$383 million, primarily from an increase in receipts for the Securities and Exchange Commission [SEC] (\$449 million), partly offset by an increase for the Broadcasting Board of Governors (\$53 million). Additional reductions come from a net decrease in Division H of the measure – largely the 0.59-percent general across-the-board reduction (\$168 million), and the 0.465-percent reduction for the Commerce, Justice, State division (\$188 million). The reductions in Justice and Other programs are offset by increases in Commerce (\$212 million), State (\$365 million), and the Judiciary (\$271 million).

- District of Columbia spending grows by \$33 million from increases to District of Columbia Courts (\$22 million), and Court Services and Offender Supervision (\$14 million). These increases are offset by a net reduction in other expenses (\$3 million).
- Foreign Operations spending increases \$1.384 billion, largely due to a \$1 billion appropriation for the Millennium Challenge account.

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- Labor-Health and Human Services spending increases \$4.643 billion. The increase is due to additional funding for Education (\$2.857 billion), Health and Human Services (\$1.143 billion), the National Institutes of Health (\$1.001 billion), and other activities (\$594 million). These increases are offset by reductions in the Department of Labor (\$147 million), and net reductions from Division H of the conference report – largely the 0.59-percent across-the-board reduction (\$805 million).
 - Transportation, Treasury, and Independent Agencies spending declines by \$143 million, due largely to reductions in the Federal Highway Administration (\$642 million), the National Highway Traffic Safety Administration (\$134 million), and the across-the-board reduction (\$431 million). These savings are offset by increases for the Federal Aviation Administration (\$418 million), the Internal Revenue Service (\$411 million), and the Federal Railroad Administration (\$195 million).
 - Veterans Affairs-HUD spending increases by \$4.057 billion. The increases are for Veterans Affairs (\$2.9 billion), Housing and Urban Development (\$769 million), the Environmental Protection Agency (\$331 million), the National Science Foundation (\$301 million), the National Aeronautical and Space Administration (\$128 million), and other activities (\$200 million). These increases are offset by the across-the-board reduction (\$578 million).

AUTHORIZATION ISSUES

The conference report contains authorizing language for a number of newly funded programs including:

DC School Choice Incentive Act of 2003 - The agreement provides low-income parents residing in the District of Columbia with the opportunity to enroll their children in private schools with the aid of a scholarship. The agreement includes \$14 million for this program in fiscal year 2004.

Millennium Challenge - The conference report includes the Millennium Challenge Act of 2003. It establishes a Millennium Challenge Corporation within the Executive Branch to provide assistance, to promote economic growth, to eliminate extreme poverty, and to strengthen good governance in qualifying countries. The conference report provides \$1 billion in fiscal year 2004 budget authority for these activities.

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